Public Accounts

of the province of

Prince Edward Island

Volume I
Financial Statements

For the Year Ended March 31st

2006

2008-01519/

Public Accounts

of the province of

Prince Edward Island

Volume I

Financial Statements

For the Year Ended March 31st

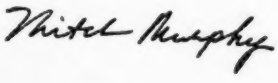
2006

To Her Honour
The Honourable Barbara A. Hagerman
Lieutenant-Governor of the Province of
Prince Edward Island

May It Please Your Honour:

The undersigned has the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2006.

Respectfully submitted,



Hon. Mitch Murphy
Provincial Treasurer

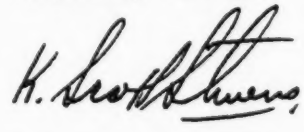
Office of the Provincial Treasurer
Charlottetown, Prince Edward Island

To the Honourable Mitch Murphy
Provincial Treasurer

Sir:

I have the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2006.

Respectfully submitted,



K. Scott Stevens, C.G.A.
Comptroller

Office of the Comptroller
Charlottetown, Prince Edward Island

Province of Prince Edward Island

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Introduction

The consolidated financial statements of the Province of Prince Edward Island are presented through the publication of the Public Accounts, Volume I. These statements consolidate the financial statements of the Province's Operating Fund with the financial statements of Agencies, Boards and Crown Corporations owned or controlled by the Province of Prince Edward Island.

The consolidated financial statements, and Operating Fund financial statements, are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Board standards of the Canadian Institute of Chartered Accountants. Other significant accounting policies used by the Province are described in the Notes to Financial Statements. The statements are prepared by the Comptroller and are audited by the Auditor General, who presents an annual report to the Legislative Assembly on the results of his audit.

The Public Accounts for the Year Ended March 31, 2006 consists of two volumes:

Volume I - Financial Statements presents the audited consolidated financial statements of the Provincial reporting entity as described in Note 1 to the financial statements.

Volume II - Operating Fund Financial Statements, Details of Revenues and Expenditures and Financial Statements of Agencies and Crown Corporations presents the audited financial statements of the Operating Fund, the unaudited details of revenues and expenditures of the Operating Fund and a reproduction of the available audited financial statements of the Agencies, Boards and Crown Corporations owned or controlled by the Province. Volume II can be ordered through the Province's web site.

The Public Accounts of the Province are tabled in the Legislative Assembly in accordance with Section 61 of the *Financial Administration Act*.

Internet Address - Volumes I and II of the Public Accounts are available on the Province's Website at:

http://www.gov.pe.ca/publications

Government of the Province of Prince Edward Island
Statement of Responsibility

Responsibility for the integrity, objectivity and fair presentation of the consolidated financial statements of the Province of Prince Edward Island rests with the Government. The financial statements are prepared by the Comptroller in accordance with the stated accounting policies of the Government as described in Note 2 of the financial statements.

These financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Cash Flows and notes and schedules integral to the statements. Together, they present fairly, in all material respects the Government's financial position at the fiscal year end and results of operations for the year ended March 31, 2006. More detailed information regarding the Government's financial position and operating results can be found in other sections of either Volume I or Volume II.

The Government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained.

On behalf of the Government

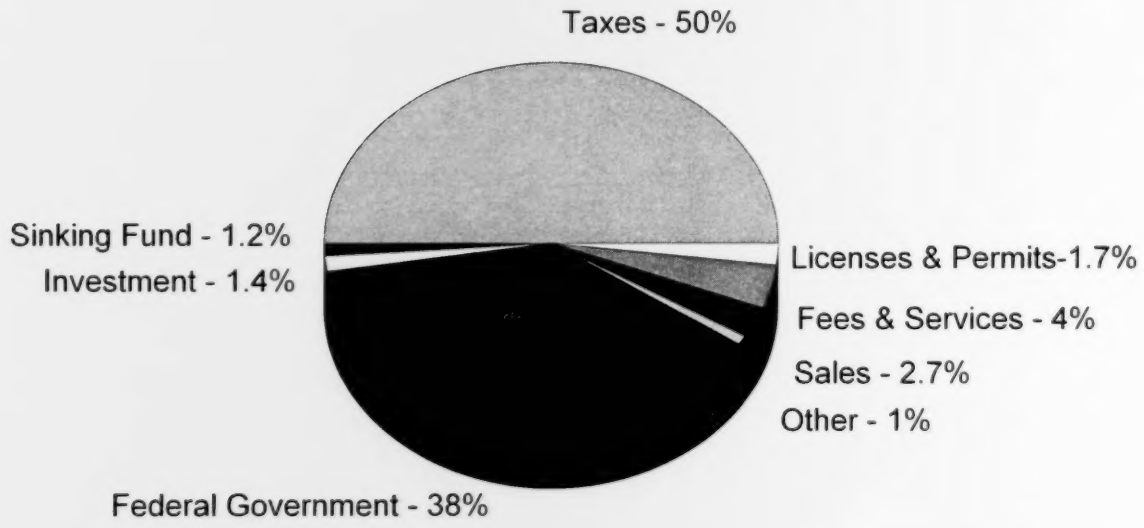
Mitch Murphy

Hon. Mitch Murphy
Provincial Treasurer

January, 2007

Revenue

Consolidated Financial Statements

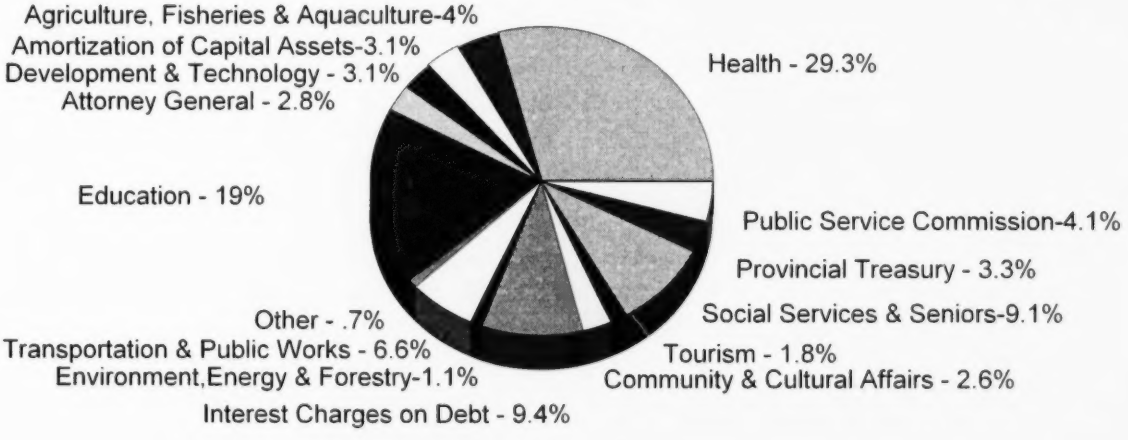


Total revenue for the Province in 2005-2006 was $1.17 billion, an increase of $53.8 million over the previous year.

Increases were mainly in Taxes ($56.7 million). Increases were partly offset by decreases in Other Revenue ($3.9 million) and Sales ($3.7 million).

Expense by Ministry

Consolidated Financial Statements

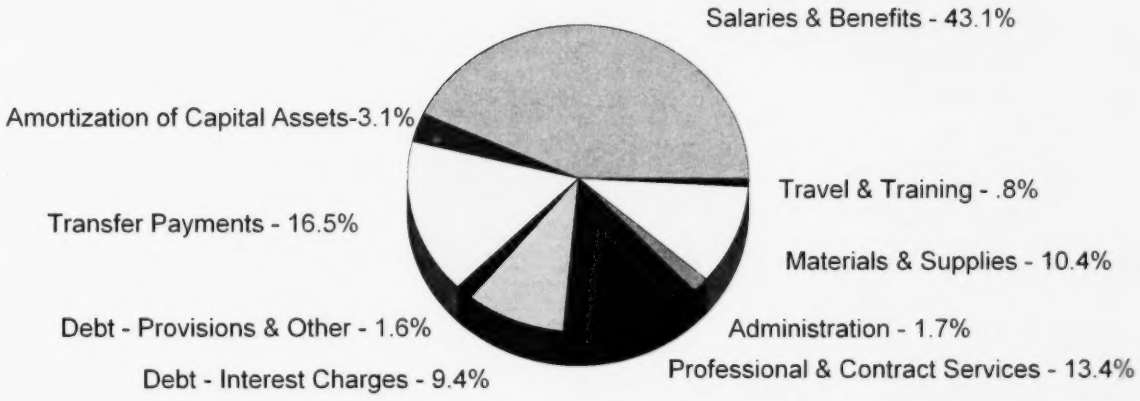

Agriculture, Fisheries & Aquaculture-4%
Amortization of Capital Assets-3.1%
Development & Technology - 3.1%
Attorney General - 2.8%
Education - 19%
Other - .7%
Transportation & Public Works - 6.6%
Environment,Energy & Forestry-1.1%
Interest Charges on Debt - 9.4%
Health - 29.3%
Public Service Commission-4.1%
Provincial Treasury - 3.3%
Social Services & Seniors-9.1%
Tourism - 1.8%
Community & Cultural Affairs - 2.6%

Total expense for the Province in 2005-2006 was $1.17 billion, an increase of $19.5 million over the previous year.

Increases were mainly in Public Service Commission ($15.1 million), Health and Social Services ($11.3 million) Community and Cultural Affairs ($8.8 million), Provincial Treasury ($6.9million) and Interest Charges on Debt ($5.4 million). Increases in expenses were partly offset by decreases in Workforce Renewal Program ($14.1 million), Agriculture, Fisheries and Aquaculture ($11.9 million) and Transportation and Public Works ($7.8 million).

Expense by Object

Consolidated Financial Statements

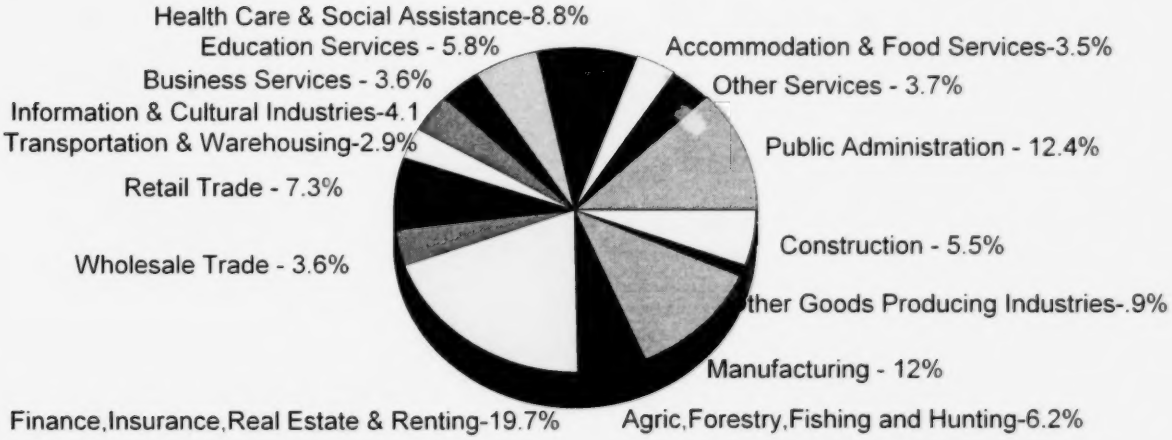

Salaries & Benefits - 43.1%
Amortization of Capital Assets-3.1%
Travel & Training - .8%
Transfer Payments - 16.5%
Materials & Supplies - 10.4%
Debt - Provisions & Other - 1.6%
Administration - 1.7%
Debt - Interest Charges - 9.4%
Professional & Contract Services - 13.4%

Total expense for the Province in 2005-2006 was $1.17 billion, an increase of $19.5 million over the previous year.

Increases were mainly in Materials and Supplies ($18.3 million), Debt - Provisions and Other ($10.4 million) and Debt - Interest Charges ($5.4 million). Increases in expenses were partly offset by a decrease in Transfer Payments ($9.9 million).

Gross Domestic Product Distribution - 2005

Prince Edward Island



Information provided by the PEI Department of Provincial Treasury from data provided by Statistic Canada.

AUDITOR'S REPORT

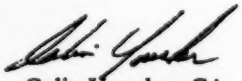
To the Members of the Legislative Assembly
Province of Prince Edward Island

I have audited the consolidated statement of financial position of the Province of Prince Edward Island as at March 31, 2006 and the statement of operations, change in net debt and cash flows for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 2006 and the results of its operations, the change in net debt and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments as recommended by The Canadian Institute of Chartered Accountants.

Additional information and comments on the financial statements are included in my Annual Report to the Legislative Assembly.



Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
January 23, 2007

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Financial Position
as at March 31, 2006

		2006 ($000)	2005 ($000)
	FINANCIAL ASSETS		
Schedule			
1	Cash and Short Term Deposits	16,499	52,145
2	Accounts and Taxes Receivable	142,894	124,957
3	Treasury Advances	595	591
4	Property Holdings	877	1,444
5	Investments	2,765	3,459
6	Investment in Government Business Enterprises	9,736	7,190
7	Sinking Fund	265,926	188,641
8	Loans Receivable	203,662	199,587
	Total Financial Assets	**642,954**	**578,014**
	LIABILITIES		
9	Deferred Revenue/Credits	28,895	31,080
10	Accounts Payable and Accrued Liabilities	204,566	194,585
11	Short Term Loans Payable	27,551	85,000
12	Obligation Under Capital Leases	5,167	5,555
13	Pension, Retirement and Other Obligations	87,626	235,487
14	Loans Payable	237,525	81,333
15	Debentures	1,374,384	1,274,515
	Total Liabilities	**1,965,714**	**1,907,555**
	NET DEBT	**1,322,760**	**1,329,541**
	Non-Financial Assets		
16	Tangible Capital Assets	537,489	545,273
17	Inventories	7,868	3,559
18	Prepaid Expenses	2,064	4,069
		547,421	552,901
	Accumulated Deficits	**775,339**	**776,640**
	Supplementary Information (see schedules)		
19	Trust Funds		
20	Guaranteed Debt		

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Operations
for the year ended March 31, 2006

Schedule		2006 Unaudited Restated Estimates ($000)	2006 Actual ($000)	2005 Actual ($000)
	REVENUE			
23	Taxes	556,934	586,911	530,197
24	Licenses and Permits	17,802	19,385	18,758
25	Fees and Services	46,227	46,142	43,919
26	Sales	38,658	31,093	34,803
27	Investment Income	13,920	16,393	15,170
28	Other Income	5,969	8,610	12,581
29	Government of Canada	449,152	444,428	443,512
6	Government Business Enterprises	(1,089)	2,546	3,847
7	Sinking Fund Earnings	12,650	14,442	13,352
	Total Revenue	**1,140,223**	**1,169,950**	**1,116,139**
	EXPENSE			
30	Agriculture, Fisheries and Aquaculture	45,618	46,412	58,363
31	Attorney General	32,664	32,316	32,565
	Auditor General	1,357	1,336	1,231
32	Community and Cultural Affairs	23,405	30,911	22,117
33	Development and Technology	33,705	36,215	33,694
34	Education	223,054	221,755	218,386
35	Environment, Energy and Forestry	12,450	12,703	12,335
	Executive Council	4,160	2,923	2,698
36	Health and Social Services (Note 10)	-	-	438,580
	Health (Note 10)	343,466	343,243	-
	Social Services and Seniors (Note 10)	105,201	106,625	-
	Legislative Assembly	3,615	3,920	3,411
37	Provincial Treasury	44,884	38,950	32,058
38	Public Service Commission	33,999	47,446	32,327
39	Tourism	21,305	20,546	20,372
40	Transportation and Public Works	80,724	77,022	84,834
	Total Program Expense	**1,009,607**	**1,022,323**	**992,971**
	Interest Charges on Debt	113,681	110,170	104,922
16	Amortization of Tangible Capital Assets	38,942	36,779	37,718
	Workforce Renewal Program	-	-	14,115
	Total Expense	**1,162,230**	**1,169,272**	**1,149,726**
	ANNUAL SURPLUS (DEFICIT)	**(22,007)**	**678**	**(33,587)**
	Accumulated Surplus (Deficit), Beginning of Year		(776,640)	(729,917)
	Accounting Change - Inventory Inclusion (Note 3)		3,624	2,585
	- Housing Corp. Amortization (Note 3)		-	(15,721)
	Adjustments for Future Employee Benefits (Note 3)		(3,001)	-
	Accumulated Surplus (Deficit), End of Year		**(775,339)**	**(776,640)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Change in Net Debt
for the year ended March 31, 2006

	2006 Unaudited Restated Estimates ($000)	2006 Actual ($000)	2005 Actual ($000)
Annual (Surplus) Deficit	22,007	(678)	33,587
Increase (Decrease) in Tangible Capital Assets			
Acquisition of Tangible Capital Assets	26,922	29,385	26,082
Amortization of Tangible Capital Assets	(38,942)	(36,779)	(37,718)
Net Book Value of Tangible Capital Asset Disposals	-	(390)	(5,198)
	(12,020)	(7,784)	(16,834)
Increase (Decrease) in Prepaid Expenses	-	(2,005)	(755)
Increase (Decrease) in Inventory	-	798	974
Adjustment - Reclassification of Land (Tax Sales)	-	(113)	-
Adjustments re: Future Employee Benefits (Note 3)			
Pension Amortization & Interest Expense	-	1,734	-
Teachers' WCB Liability at Mar-31-05	-	1,267	-
	-	3,001	-
Increase (Decrease) in Net Debt	9,987	(6,781)	16,972
Net Debt, Beginning of Year	1,329,541	1,329,541	1,312,569
Net Debt, End of Year	**1,339,528**	**1,322,760**	**1,329,541**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Cash Flows
for the year ended March 31, 2006

	2006 ($000)	2005 ($000)
Operating Activities		
Surplus (Deficit) for the year	678	(33,587)
Amortization of Tangible Capital Assets	36,779	37,718
Adjustments for Future Employee Benefits	(3,001)	-
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	(17,937)	(8,964)
Treasury Advances - (Increase) Decrease	(4)	(5)
Property Holdings - (Increase) Decrease	567	25,539
Prepaid Expenses - (Increase) Decrease	2,005	755
Inventories - (Increase) Decrease	(685)	(974)
Deferred Charges - (Increase) Decrease	-	3,780
Deferred Revenue/Credits - Increase (Decrease)	(2,185)	20,605
Accounts Payable and Accrued Liabilities - Increase (Decrease)	9,981	(16,792)
Pension, Retirement and Other Obligations-Increase (Decrease)	(147,861)	(5,393)
Cash Provided by (Used for) Operating Activities	**(121,663)**	**22,682**
Investing Activities		
Changes in:		
Loans Receivable - (Increase) Decrease	(4,075)	(3,059)
Investments - (Increase) Decrease	694	276
Investment in Govt Business Enterprises-(Increase) Decrease	(2,546)	(3,847)
Cash Provided by (Used for) Investing Activities	**(5,927)**	**(6,630)**
Capital Activities		
Acquisition of Tangible Capital Assets	(29,385)	(26,082)
Disposal of Tangible Capital Assets	390	5,198
Cash Provided by (Used for) Capital Activities	**(28,995)**	**(20,884)**
Financing Activities		
Debentures Issued	108,975	210,500
Debentures Matured / Called	(8,975)	(77,127)
Changes in:		
Short Term Loans Payable - Increase (Decrease)	(57,449)	(125,000)
Loans Payable - Increase (Decrease)	156,192	4,994
Debenture Discount - (Increase) Decrease	(131)	(1,566)
Obligation Under Capital Leases - Increase (Decrease)	(388)	(293)
Sinking Fund - (Increase) Decrease	(77,285)	33,032
Cash Provided by (Used for) Financing Activities	**120,939**	**44,540**
Increase (Decrease) in Cash and Short Term Deposits	(35,646)	39,708
Cash and Short Term Deposits, Beginning of Year	52,145	12,437
Cash and Short Term Deposits, End of Year	**16,499**	**52,145**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Notes to the Consolidated Financial Statements
For the year ended March 31, 2006

1 Reporting Entity

The financial position of the Province is presented by a Consolidated Statement of Financial Position combining the statement of financial position of the Operating Fund and the balance sheets of such agencies, crown corporations and boards as determined under section 61(2) of the Financial Administration Act.

The following agencies, crown corporations and boards are included in the Consolidated Statement of Financial Position using the consolidation method of accounting. Under the consolidation method of accounting inter-organizational balances and transactions are eliminated. This method reports the organizations as if they were one organization.

Eastern School District
French Language School Board
Western School Board
P.E.I. Agricultural Insurance Corporation
P.E.I. Agricultural Research Investment Fund Inc.
P.E.I. Aquaculture and Fisheries Research Initiative Inc.
P.E.I. Business Development Inc
P.E.I. Crown Building Corporation
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Lending Agency
P.E.I. Museum and Heritage Foundation
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Special Projects Fund
Tourism P.E.I.

The Eastern, Western, and French Language School Boards have a fiscal year-end of June 30th. Unaudited financial information as of March 31, 2006 has been used for consolidation puposes.

The following agencies, crown corporations, and boards are included in the Consolidated Statement of Financial Position using the modified equity method of accounting. This method is used for government business enterprises which are defined as those agencies, crown corporations and boards which, (i) have the power to contract in their own name, (ii) have the financial and operating authority to carry on a business, (iii) sell goods and services to customers outside the provincial reporting entity as their principal activity and source of revenue, and (iv) are able to maintain their operations and meet their liabilities from revenues received from sources outside the provincial reporting entity. The modified equity method reports the percentage of a government business enterprise's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Inter-organizational balances and transactions are not eliminated. Schedule 6 presents condensed financial information of the following government business enterprises.

Charlottetown Area Development Corporation
Island Investment Development Inc.
Island Waste Management Corporation
P.E.I. Energy Corporation

P.E.I. Grain Elevators Corporation
P.E.I. Liquor Control Commission
P.E.I. Lotteries Commission
P.E.I. Regulatory and Appeals Commission
Summerside Regional Development Corporation Ltd.

The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2005

The Consolidated Statement of Financial Position does not include the financial position of the Workers' Compensation Board of Prince Edward Island. The Board, as at December 31, 2005, had assets of $109.3 million (2004 - $95 million) and liabilities of $109.6 million (2004 - $107.8 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

2 Basis of Accounting

(a) The Province of Prince Edward Island accounts for its financial transactions in accordance with generally accepted accounting principles, which for the purposes of the Province's financial statements is represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards.

(b) Financial Assets

Financial assets are those assets on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Cash represents cash position including bank balances and term deposits.

Receivables are recorded for all amounts due for work performed and goods or services supplied in the fiscal year. A provision for loss is established for doubtful accounts.

Property Holdings are recorded at the lower of cost or net realizable value. A provision for loss is established.

Investments are recorded at the lower of cost or net realizable value. A provision for loss is established.

Investment in Government Business Enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described in Note 1 to these financial statements.

Sinking Fund assets are recorded at cost plus accrued interest. A portion of the Sinking Fund assets are externally restricted.

Loans Receivable are recorded at cost less adjustments for impairments in value and concessionary terms. Where concessionary terms apply loans are reported at their net present value. A provision for loss is established for doubtful accounts.

(c) Liabilities

Deferred Revenue represents amounts received but not earned.

Payables, Accruals and other liabilities are recorded for all amounts due for work performed, goods or services received and other costs incurred in the fiscal year.

Borrowings are recorded at face value less adjustments for concessionary terms.

Obligation Under Capital Lease represents the liability recorded for contractual arrangements which are deemed to be capital leases. Establishment of a capital lease recognizes the lease contract as a financing tool to acquire an asset.

Pension, Retirement and Other Future Employee Benefit Obligations represent the Province's net liability as calculated using an accrued benefits actuarial method on an accounting basis. The net pension liability represents the present value of accrued pension benefits less the market value of pension assets plus or minus deferred gains or losses to be amortized.

Union agreements provide for the accumulation of sick leave benefits by employees. However, there is no obligation for the Province to settle these amounts with cash payments. Consequently, no liability has been calculated by the Province and no accrual has been recorded in these financial statements for accumulated sick leave benefits.

Debentures represent the gross funded debt of Province of PEI public debenture issues and Canada Pension Plan debenture issues.

(d) Net Debt

The Province's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Province is determined by its liabilities less its financial assets. Net debt is comprised of two components non-financial assets and accumulated deficits.

Non-Financial Assets

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities. They are normally employed to deliver government services and may be consumed in the normal course of operations.

Tangible capital assets are valued at historical cost, or estimated cost where historical cost information is not available. Amortization methods and rates vary between the Operating Fund and some agencies. It is calculated using the straight line or declining balance methods at the following rates:

Land Improvements	5 - 12 years
Buildings and Improvements	10 - 40 years
Leasehold Improvements	Based on length of lease
Roads	10 - 20 years
Bridges	20 - 40 years
Motor Vehicles	3 - 10 years
Equipment	1 - 20 years
Other	5 - 40 years

Tangible capital assets do not include works of art and historical treasures because a reasonable estimate of the future benefits associated with such property cannot be made. Works of art and historic property consist mainly of paintings, drawings, prints, artifacts and photographs. The costs of works of art and historic property are charged to expense in the fiscal year in which they are acquired.

Inventories consist of items on hand which were purchased for consumption or use by the Province in the course of its operations. Inventories are recorded at cost and expensed as they are consumed or sold.

Prepaid expenses are goods and services purchased which will provide economic benefits in future periods.

Accumulated Deficits
Accumulated deficits is the Net Debt of the Province less Non-Financial Assets. It represents the accumulated balance of deficits from operations of the Province.

(e) Revenues
Revenues are recorded on an accrual basis. Transfers from the Government of Canada, under Federal - Provincial fiscal arrangements, are based on estimates which will be adjusted against future years revenues when actual results become available.

(f) Expenses
Expenses are recorded on an accrual basis.

Capital expenditures are incurred in the acquisition, development or construction of tangible capital assets. They do not include operational expenses. The acquisition of tangible capital assets are not reported as expenses in the year the assets are acquired. Tangible capital assets are included in the Province's Consolidated Statement of Financial Position as Non-Financial Assets and their cost is amortized over their estimated useful life.

Transfer payments are transfers of money to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return. Transfer payments are recognized by the Province as expenditures in the period during which both the payment is authorized and any eligibility criteria are met.

3 Adjustments to Accumulated Deficits

(a) Changes in Accounting Policy

Inventory Inclusion
For the fiscal year 2004-2005 the Province implemented Public Sector Accounting Board standards for the recording of inventories. For 2004-2005 the opening accumulated deficit was reduced by $2.6 million on the initial recognition of inventories. At March 31, 2006 additional inventories for drugs, hospital and bus depot supplies are being recognized. The initial recognition of these inventories has been made through a $3.6 million reduction of the 2005-2006 opening accumulated deficit.

Amortization - PEI Housing Corporation
To conform with Canadian generally accepted accounting principles, the Housing Corporation has changed its amortization method for buildings to the straight line method. Previously these assets were amortized in accordance with the principal repayments of corresponding long-term indebtedness. This change has been applied on a retrospective basis by the Housing Corporation and its financial statements have been restated effective April 1, 2004. The restatement has resulted in a reduction of tangible capital assets and an increase in accumulated deficits at March 31, 2005 in the amount of $15.7 million.

(b) Future Employee Benefits

Workers Compensation - Teachers
At March 31, 2006 the Province recorded a liability of $1.4 million for estimated future costs of teachers' workers compensation. This liability was not recorded in previous consolidated financial statements of the Province. For 2005-2006 opening accumulated deficit has been increased by $1.3 million to record the amount of the liability at March 31, 2005.

Adjustment to Pension Amortization and Interest Expense
Due to the discovery of a valuation error in the health sector retirement pay liability at April 1, 2002 the 2005-2006 opening accumulated deficit has been increased by $1.7 million. This adjustment represents the effect the error had on pension liability amortization and interest expense for the years 2002-2003 to 2004-2005.

4 Province of Prince Edward Island Sinking Fund

(a) Description of Sinking Fund

The Province of Prince Edward Island Sinking Fund was established to reserve funds to meet future commitments and for debt retirement. Earnings on Sinking Funds are reflected as current revenue.

Those funds in the Sinking Fund designated for debentures are considered to be externally restricted and as a result cannot be used for other purposes. Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund, and as such, are not treated as an expense. The installment payments for the next five years are:

	($000)
2006-2007	16,358
2007-2008	15,658
2008-2009	14,500
2009-2010	14,500
2010-2011	13,125

During 2005-2006 additional discretionary contributions of $48.7 million were made to the Sinking Fund for under funded debentures. It is anticipated that a further contribution of approximately $52 million will be made in 2006-2007.

(b) PEI Issues Held by the Sinking Fund

As at March 31, 2006 Sinking Fund investments include PEI Issues held but not cancelled in the amounts of:

	($000)		($000)
Debentures - Par Value	59,685	Book Value	64,477
Residuals - Par Value	129,855	Book Value	72,524

5 Solid Waste Landfill Closure and Post-Closure Liability

The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of Island Waste Management Corporation (IWMC), a provincial agency. IWMC is responsible for liabilities related to the closure and post-closure costs of the East Prince Landfill Site, which was in use at March 31, 2006. IWMC is also responsible for monitoring and dealing with post-closure issues at four landfill sites and approximately one hundred smaller community dumps which were closed prior to 2003. The Province is responsible for the costs associated with the closure and decommissioning of the sites closed prior to 2003.

IWMC has included in its liabilities at March 31, 2006 an obligation associated with the retirement, closure and post-closure costs of the East Prince Landfill Site in the amount of $1.2 million (2005 - $1.1 million). The Province recognizes its responsibility regarding landfill sites closed prior to 2003 but at this time is unable to estimate the costs involved due to the absence of a formal action plan. A provisional amount of $350 thousand, established in 2003 to deal with future costs, is included in accounts payable and accrued liabilites.

6 Commitments

The nature of the Province's activities results in commitments against future appropriations through various multi-year contracts and obligations. Payments in respect of these contracts and agreements are subject to the approval of the Legislature through the annual budget process. Significant financial commitments at March 31, 2006 include:

(a) University of Prince Edward Island

The Province has committed to make payments over a sixteen year period, beginning in 2003-04, in the amount of $376.5 thousand per year to the University of Prince Edward Island for the purpose of debt servicing.

(b) P.E.I. Busines Development Inc

The corporation has approved, but not disbursed, loans at March 31, 2006 amounting to $6.5 million (2005 - $9.4 million).

(c) Island Investment Development Inc

Prince Edward Island Century 2000 Fund Inc. has approved, but not disbursed, loans at March 31, 2006 amounting to $15.5 million (2005 - $12.1 million).

(d) P.E.I. Lending Agency

The corporation has approved, but not disbursed, loans at March 31, 2006 amounting to $4.6 million (2005 - $3.4 million).

(e) Tourism PEI

Tourism PEI has entered into an agreement to co-promote an event in 2006, 2007 and 2008 which requires an annual deposit payment of $400 thousand. If in any year revenues of the event are not sufficient to offset all costs, Tourism PEI will be responsible for any shortfall.

(f) P.E.I. Energy Corporation

Executive Council has authorized PEI Energy Corporation to construct a 30 megawatt wind farm at East Point. The total budgeted project cost is $ 56 million and the project is expected to be completed in 2006-2007. As at March 31, 2006 $5.6 million has been expended on the project.

The corporation has entered into a contribution agreement with Industry Canada and Hydrogenics Corporation for the expenditure of up to $2.5 million on the P.E.I. Wind-Hydrogen project over the next three years.

(g) Island Waste Management Corporation

The corporation conducts a portion of its operations, the compost facility, pursuant to an operating agreement. The agreement provides for the payment by the corporation to the operator of the facility a minimum annual fee plus an excess tonnage fee. The minimum annual fee commitments under the operating agreement are as follows:

2007	$ 1.4 million
2008	$ .7 million

The corporation has entered into various agreements for the collection of recyclables, waste and compost materials. Minimum payments for the contracts currently in place for the next five years on these contracts are as follows:

2007	$ 3.7 million
2008	$ 2.6 million
2009	$ 1.2 million
2010	$ .9 million
2011	$ .8 million

The corporation has entered into an agreement to supply PEI Energy Systems with a minimum of 30,617 tons of waste annually. Any shortage is the responsibility of the corporation. Annual processing costs for the waste are estimated at $1.8 million. The agreement is for thirty years, expiring in August 2025.

(h) Leases

The Province is party to a substantial number of lease agreements for the rental of space and equipment. The following schedule shows the minimum annual lease payments in each of the next five years for those leases which are considered significant in relation to future operations:

Fiscal Year	Lease Payments ($000)
2006-2007	6,182
2007-2008	5,080
2008-2009	4,252
2009-2010	3,608
2010-2011	3,438

Capital Leases

Costs associated with renovations to the Davies and Kelly Law Courts Buildings have been recorded as capital leases. These capital lease obligations are recorded as liabilities in the Consolidated Statement of Financial Position.

7 Contingent Liabilities

(a) Claims Outstanding

The Province is subject to legal actions arising in the normal course of business. At March 31, 2006 there are twenty-six (2005 - twenty-eight) outstanding claims arising from legal action in progress against the Crown. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

The cost, if any, of twenty-three of the twenty-six claims outstanding will be paid through the Prince Edward Island Self-Insurance and Risk Management Fund. The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The Fund provides general liability insurance, errors and omissions insurance and primary property and crime insurance. At March 31, 2006, fund reserves were $7.2 million (2005 - $7.2 million). Claims amounting to $1 million were settled in the current year (2005 - $1 million). The estimated amount for claims outstanding at March 31, 2006 is $.8 million (2005 - $1.2 million). The fund carries an excess liability policy limiting the liability of the fund to $5 million on individual claims.

The three claims not covered through the Self-Insurance and Risk Management Fund relate to allegations of abuse at the former Mt Herbert Orphanage. No allowance provision has been made for costs, if any, which may result from these claims

(b) Prince Edward Island Agricultural Insurance Corporation

As of July 31, 2006 the PEI Agricultural Insurance Corporation received 21 written notices of appeal on behalf of the CAIS Appeals Subcommittee. These appeals have not yet been heard. As a result, the amount of the claims, if any, is not yet determinable.

(c) Prince Edward Island Business Development Inc

PEI Business Development Inc has indemnified lease payments to a landlord on behalf of a private company. In the case of default by the tenant, the maximum amount indemnified is $108 thousand per month, pursuant to the lease ending February 2025.

(d) Credit Union Deposit Insurance Corporation

The Credit Unions Act states that the Province shall ensure that the obligations of The Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits within established limits held by PEI credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. The Province holds two director positions on the CUDIC Board of Directors. At December 31, 2005 the CUDIC had an equity balance of $6.2 million (2004 - $5.5 million).

Based on unaudited information, at September 30, 2005 credit unions in Prince Edward Island held insurable deposits totalling $462.6 million (2004 - $433.3 million). The probability that the Province would be called upon to provide financial support to the CUDIC is unlikely due to the equity held by the CUDIC, Credit Union Central of Prince Edward Island and the ten credit unions on PEI.

(e) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans, including student loans. Guarantees amounting to $156.6 million (2005 - $137.4 million) are reported in Schedule 20.

8 Pension, Retirement and Other Obligations

(a) Basis of Accounting for Obligations

The Province has adopted the recommendations of the Public Sector Accounting Board (PSAB) in accounting for its pension and other retirement obligation liabilities. Assumptions used in the valuation of these benefits and obligations are developed on two criteria; for funding purposes and for accounting purposes. The Province uses assumptions developed for accounting purposes.

(b) Pension Funds

Civil Service Superannuation Fund

Employees of the Province and certain of its' entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 6.95 percent of their salary (8.75 percent when not contributing to CPP) with the Province matching those contributions. Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 percent.

Teachers' Superannuation Fund

The Teachers' Superannuation Act established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 7.2 percent of their salary (9 percent when not contributing to CPP) with the Province matching those contributions. Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Teachers' Supernnuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best five years' average salary. The plan provides for inflation protection to a maximum of 4%.

Pension Plan for Members of the Legislative Assembly
The Legislative Assembly Act provides for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, Speaker, Deputy Speaker, Leader of the Opposition, Government House Leader, Opposition House Leader, Government Whip, and Opposition Whip. The Commission established the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island". This plan operates within the Pension Plan for Members of the Legislative Assembly of Prince Edward Island Fund and is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary. Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. The Province is required to make contributions to the Fund to ensure that there is sufficient money to cover the cost of current service accruals as well as provide for the proper amortization of any unfunded liability. The plan text and tax legislation requires that an employer contribution holiday must be taken while the plan is in a surplus position. Pension benefits are based on criteria which is different depending on the period of service. The criteria for the different periods are as follows:

a. for the period up to and including June 30, 1994, annual members' pensions are equal to the lessor of 75% of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75% of contributions and one half of the highest annual salary as a Minister.

b. for the period July 1, 1994 to March 31, 2001, benefits are based on the number of years of service times 2% of the best thirty-six consecutive months' average indemnity and salary earned by the member.

c. for the period on or after April 1, 2001, benefits are 25% of the required contributions made by the participants commencing after April 1, 2001, indexed annually by the percentage increase in the Consumer Price Index, subject to a maximum increase of 8% per annum.

The plan provides a pre-retirement inflation protection equal to the increase in the Consumer Price Index to a maximum of 8%. Post-retirement inflation protection is the increase in the Consumer Price Index minus 2%, to a maximum of 8%.

Pension Plan for Members of the Legislative Assembly (Supplementary)
The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. Supplementary benefits are provided for service rendered subsequent to June 30, 1994 and the amount of benefit is approximately equal to those benefits provided under the Members of the Legislative Assembly of Prince Edward Island. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation to a maximum of 8%.

Senior Compensation Program
An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the Civil Service Superannuation Act. Pension benefits are based on the number of years' participation in the Senior Compensation Program to a maximum of 5 years times 2% of the best three years' average salary. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation to a maximum of 6%.

Pension Plan for Judges - Old
The Provincial Court Act provides a pension plan for Provincial Court judges who were appointed before

April 1, 1997. Pension benefits are based on two-thirds of the salary payable to the judge at the time of retirement. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due.The plan provides for inflation to a maximum of 8%.

Pension Plan for Judges - New

The Provincial Court Act established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997 which is supplementary to the benefits provided under the Civil Service Superannuation Act. Pension benefits are based on the number of years' service times 3% of the best three years' average salary less benefits received under the Civil Service Superannuation Plan. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 6%.

Summary of Plan Membership, Contributions and Payments

	31-Mar-06	31-Mar-05
Civil Service Superannuation Fund		
Number of Active Members	3,070	2,900
Employee Current Service Contributions	$9.9 million	$9.5 million
Number of Retirees	1,744	1,571
Benefit Payments	$29.7 million	$24.6 million
Teachers' Superannuation Fund		
Number of Active Members	1,662	1,688
Employee Current Service Contributions	$6.4 million	$6.3 million
Number of Retirees	1,336	1,224
Benefit Payments	$32.2 million	$29.0 million
Pension Plan for Members of the Legislative Assembly		
Number of Active Members	25	26
Employee Current Service Contributions	$123.8 thousand	$123.5 thousand
Number of Retirees	74	76
Benefit Payments	$1.19 million	$1.17 million
Pension Plan for Members of the Legislative Assembly (Supplementary)		
Number of Active Members	25	26
Number of Retirees	26	25
Benefit Payments	$92 thousand	$88 thousand
Senior Compensation Program		
Number of Active Members	25	23
Number of Retirees	27	27
Benefit Payments	$305 thousand	$335.8 thousand
Pension Plan for Judges - Old		
Number of Active Members	2	2
Number of Retirees	3	3
Benefit Payments	$290.4 thousand	$234.3 thousand
Pension Plan for Judges - New		
Number of Active Members	1	1
Number of Retirees	0	0

Actuarial Valuations / Estimates

Actuarial valuations of the Province's pension funds are carried out every three years. An estimated update, which is a partial calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group which is 6 years for MLAs, 14 years for TSF and 13 years for all other groups.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The assumptions for the valuations are as follows:

	01-Apr-06	01-Apr-05
Expected Inflation Rate	2.75%	2.75%
Discount Rate Used to Determine Accrued Obligation	7.63%	7.63%
Expected Rate of Return on Plan Assets	7.63%	7.63%

Pension fund assets are valued at market values. The actual return on plan assets was 13.5% in 2006 (2005 5.9%).

The following are the most recent actuarial valuations for the Province's three pension funds:

	Civil Service Fund	Teachers' Fund	MLA Fund
Date of Valuation	01-Apr-05	01-Apr-05	01-Apr-06
	($000)	**($000)**	**($000)**
Actuarial Liability	575,838	516,144	15,221
Fund Assets	502,034	308,635	22,598
Unfunded Liability (Surplus)	**73,804**	**207,509**	**(7,377)**

The following are the actuarial estimates at March 31, 2006

	Gross Pension Obligation 31-Mar-06 ($000)	Pension Assets 31-Mar-06 ($000)	Unamortized Actuarial Adjustments 31-Mar-06 ($000)	Net Pension Obligation 31-Mar-06 ($000)	Net Pension Obligation 31-Mar-05 ($000)
Civil Service Pension Fund	606,024	558,574	(31,081)	16,369	8,998
Teachers' Pension Fund	532,450	496,695	(40,824)	(5,069)	148,967
MLA Pension Fund	15,221	22,598	334	(7,043)	(6,206)
MLA Plan (Supplementary)	4,042	-	41	4,083	3,536
Senior Comp. Pension Plan	7,261	-	572	7,833	7,450
Judges Pension Plan (Old)	4,832	-	(267)	4,565	4,402
Judges Pension Plan (New)	236	-	28	264	207
Totals	**1,170,066**	**1,077,867**	**(71,197)**	**21,002**	**167,354**

(c) Retirement and Other Benefits

Employees of the Province are entitled to retirement allowances as provided for under collective agreements and terms of employment. Other benefit entitlements include workers compensation funding and payment of insurance policies. The Province obtains actuarial calculations of its liability for future employee benefits.

The following balances are actuarial estimates of future commitments to employees:

	Gross Benefit Obligation 31-Mar-06 ($000)	Benefit Assets 31-Mar-06 ($000)	Unamortized Actuarial Adjustments 31-Mar-06 ($000)	Net Benefit Obligation 31-Mar-06 ($000)	Obligation 31-Mar-05 ($000)
Retirement Pay	54,174	-	(7,848)	46,326	49,383
Insurance Policies	4,624	1,274	(1,060)	2,290	1,840
Workers Compensation	14,120	-	3,888	18,008	16,910
Totals	**72,918**	**1,274**	**(5,020)**	**66,624**	**68,133**

(d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2006:

	Current Service Cost ($000)		Net Interest Cost ($000)	Employee and Other Contributions ($000)	Amortization of Actuarial Adjustments ($000)	Net Cost ($000)
Civil Service Pension Fund	16,458		5,497	(10,672)	5,254	16,537
Teachers' Pension Fund	9,976		3,519	(6,393)	5,203	12,305
MLA Pension Fund	265		(498)	(124)	(479)	(836)
MLA Plan (Supplementary)	488	*	285	-	(134)	639
Senior Comp. Pension Plan	244		517	-	(73)	688
Judges Pension Plan (Old)	112		349	-	(8)	453
Judges Pension Plan (New)	71	**	15	-	(29)	57
Total Pension	27,614		9,684	(17,189)	9,734	29,843
Retirement Pay	3,917		3,049	-	776	7,742
Insurance Policies	216		169	-	115	500
Workers Compensation	865		750	-	(357)	1,258
Total Other	4,998		3,968	-	534	9,500
Totals	**32,612**		**13,652**	**(17,189)**	**10,268**	**39,343**

* Current service cost for MLA Plan (Supplementary) includes a plan amendment cost of $86 thousand due to a change effective April 1, 2005 where an MLA is entitled to unreduced pension benefits at the age of 55. The Amortization of Actuarial Adjustments includes an additional amount equal to the cost of this plan amendment.

** Current service cost for Judges Pension Plan (New) includes a plan amendment cost of $27 thousand due to a change effective April 1, 2005 that increased the accrual rate from 2.75% to 3%.

(e) Other Pension Plans In The Health Regions and School Boards

Employees of the Department of Health and the Department of Social Services and Seniors, who are not part of the civil service pension plan, are part of the Uniform Pension Plan for Employees of the Health and Community Services System of PEI. The Uniform Pension Plan is comprised of two parts: a defined benefit pension plan for salary up to the Canada Pension Plan's yearly maximum pensionable earnings and a defined contribution pension plan for supplementary pension contributions. According to the most recent actuarial report, dated January 1, 2006, contributions to the pension plan are not sufficient to meet the requirements of the plan and a pension fund deficit in the amount of $18.6 million existed at that date.

At its November 15, 2006 meeting, Treasury Board approved the amalgamation of the Uniform Pension Plan with the Civil Service Superannuation Pension Plan. The final phase of the amalgamation is expected to be completed in the 2007-2008 fiscal year. An estimate of the effect on the pension obligation of the Civil Service Superannuation Fund has not been made.

Non-instructional employees of the three school boards are part of the PEI Education Sector Non-Instructional Employees Pension Plan. The pension plan is comprised of two parts: a defined benefit pension plan for salary up to the Canada Pension Plan's yearly maximum pensionable earnings and a defined contribution pension plan for supplementary pension contributions. According to the most recent actuarial report, dated January 1, 2005, contributions to the pension plan are not sufficient to meet the requirements of the plan and a pension fund deficit in the amount of $183.3 thousand existed at that date.

For the above described pension plans the Province records expense equal to the employer contributions and does not include the unfunded liability or surplus in the pension liability of the Province.

9 Supplementary Funding Provided by the Government of Canada

The Province has been receiving, from the Government of Canada, supplementary funding for health care and for other purposes. The Federal Government has set up trust funds to administer some of these special transfers. The Province is recording the supplementary funding as follows:

Medical Equipment

$13.3 million received from the Government of Canada and recorded as deferred revenue upon receipt. The funds are used to purchase medical equipment. $3.2 million was applied against the cost of medical purchases in 2005-2006. At March 31, 2006 $3.1 million remained unspent.

Wait Times Reduction

$18.2 million received from the Government of Canada. Revenue is recorded per the time frames established under the trust fund established by the Federal Government.

2004-2005	2.7 million
2005-2006	2.7 million
2006-2007	5.1 million
2007-2008	5.1 million
2008-2009	2.6 million
Total	18.2 million

Early Learning and Child Care

$3 million received from the Government of Canada. $1.3 million was recorded as revenue in 2005-2006. At March 31, 2006 $1.7 million remained unspent and unrecorded as revenue.

New Deal for Cities and Communities

$4.5 million received from the Government of Canada. $2.1 million was recorded as revenue in 2005-2006. At March 31, 2006 $2.4 million remained unspent and unrecorded as revenue.

10 Restructuring of Departments

Effective April 1, 2005 the following changes were made to the Province's Ministries:

- The Department of Health and Social Services was discontinued.
- The Department of Health was established.
- The Department of Social Services and Seniors was established.

Effective April 1, 2005 responsibilty for the programs and services provided by the four regional health authorities and the Provincial Health Services Authority was transferred to the two newly established government departments (Health and Social Services and Seniors).

Due to nature of the allocation of programs and services between the two newly established Departments the changes described above have not been applied retroactively and 2004-2005 revenues and expenses have not been restated for comparative purposes.

11 Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted annually to reflect new information as it becomes available. Examples of where measurement uncertainty exists in these financial statements are the calculation of future pension obligations and the provision for losses on loans and accounts receivable.

12 Comparative Figures

Certain 2005 financial statement figures, presented for comparative purposes, have been reclassified to conform with 2006 financial statement presentation.

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Statement of Financial Position
as at March 31, 2006

	2006 ($000)	2005 ($000)
1 Cash and Short Term Deposits (Bank Advances)		
Operating Fund	(4,210)	33,759
Consolidated Agencies & Crown Corporations	20,709	18,386
	16,499	**52,145**
2 Accounts and Taxes Receivable		
Taxes	70,482	69,479
Government of Canada	39,633	31,715
Consolidated Agencies & Crown Corporations	5,372	13,907
Other	31,437	13,864
	146,924	**128,965**
Provision for Doubtful Accounts (Schedule 21)	(4,030)	(4,008)
	142,894	**124,957**
3 Treasury Advances		
Cash Floats	29	17
Nova Scotia Health Advance	535	535
Employee Health Club Memberships and Travel Advances	31	39
	595	**591**
4 Property Holdings		
Leased Property	232	595
Property Holdings	1,310	1,415
Land (Tax Sales)	111	-
Other	264	427
	1,917	2,437
Provision for Losses (Schedule 21)	(1,040)	(993)
	877	**1,444**
5 Investments		
PEI Business Development Inc	3,261	3,461
Investments Held by Other Agencies and Crown Corporations	521	522
	3,782	3,983
Provision for Losses (Schedule 21)	(1,017)	(524)
	2,765	**3,459**

6 Investment in Government Business Enterprises

	Ch'town Area Dev. Corp. ($000)	Island Invest. Dev. Inc ($000)	Island Waste Management Corp. ($000)	P.E.I. Energy Corp. ($000)	P.E.I. Grain Elevators Corp. ($000)	P.E.I. Liquor Control Comm. ($000)	P.E.I. Lotteries Comm. ($000)	P.E.I. Reg. & Appeals Comm. ($000)	S'side Regional Dev. Corp. ($000)	Total 2006 ($000)	Total 2005 ($000)
Assets	36,830	94,780	32,374	22,865	1,887	7,432	2,202	2,096	3,792	204,258	184,059
Liabilities	31,803	94,556	33,760	19,631	1,408	7,432	2,202	1,785	324	192,901	176,151
Equity	5,027	224	(1,386)	3,234	479	-	-	311	3,468	11,357	7,908
	36,830	94,780	32,374	22,865	1,887	7,432	2,202	2,096	3,792	204,258	184,059
Percentage of Ownership	85%	100%	100%	100%	100%	100%	100%	100%	75%		
Province of PEI's Equity	4,273	224	(1,386)	3,234	479	-	-	311	2,601	**9,736**	**7,190**
Revenue	5,392	4,421	18,797	3,491	6,024	52,824	14,534	2,870	4,769	113,122	110,812
Expenses	4,290	4,354	20,149	2,717	6,084	40,754	2,374	2,128	1,817	84,667	78,996
Net Income (Loss)	1,102	67	(1,352)	774	(60)	12,070	12,160	742	2,952	28,455	31,816
Minority Interest in Net Income	(165)	-	-	-	-	-	-	-	(738)	(903)	196
Prior Period Adjustments	-	-	(34)	-	-	-	-	-	-	(34)	(107)
Amounts Transferred to Province	-	-	-	-	-	(12,070)	(12,160)	(742)	-	(24,972)	(28,058)
Province's Increase in Equity	937	67	(1,386)	774	(60)	-	-	-	2,214	**2,546**	**3,847**
	85%								75%		

Complete financial statements of government business enterprises, consolidated agencies and other agencies and crown corporations are provided in Volume II of the Public Accounts of the Province of Prince Edward Island.

7 Sinking Fund

	2006 ($000)	2005 ($000)
FINANCIAL ACTIVITIES		
Sinking Fund Earnings		
Investment Earnings	14,461	13,781
Amortization and Bank Charges	(19)	(429)
Net Sinking Fund Earnings	**14,442**	**13,352**
Instalments from Operating Fund	14,160	12,911
Debentures Redeemed	-	(59,295)
Special Contribution from Operating Fund	48,683	-
Increase (Decrease) in Sinking Fund Reserves	77,285	(33,032)
Sinking Fund Reserves, Beginning of Year	188,641	221,673
Sinking Fund Reserves, End of Year	**265,926**	**188,641**
FINANCIAL POSITION		
Assets		
Cash	376	22
Accrued Interest	2,243	1,550
Accounts Receivable	14,216	6,525
	16,835	8,097
Investments, at cost (Note)	249,094	180,545
Total Assets	**265,929**	**188,642**
Liabilities		
Accounts Payable	3	1
Sinking Fund Reserve	265,926	188,641
Total Liabilities and Fund Reserves	**265,929**	**188,642**

Note - Market value of investments $276.2 million (2005 - $209.8 million)

	2006 ($000)	2005 ($000)
8 Loans Receivable		
Operating Fund		
Charlottetown Area Development Corporation	7,187	7,417
Communities 13 Inc.	487	520
Community Development	449	175
Employee Computer Loans	282	568
Island Waste Management Corporation	2,565	5,820
Ocean Choice Seafoods	12,750	13,500
P.E.I. Energy Corporation	11,433	6,050
P.E.I. Liquor Control Commission	4,484	4,850
School Board Computer Loans	-	52
Stratford Pollution Control Commission	7	14
Summerside Regional Development Corporation	-	459
	39,644	39,425
Mortgages and Loans Issued by Agencies		
P.E.I. Business Development Inc	48,644	39,470
P.E.I. Housing Corporation	68	88
P.E.I. Lending Agency	146,225	141,667
	194,937	181,225
Total Loans Receivable	234,581	220,650
Provision for Doubtful Accounts (Schedule 21)	(26,677)	(16,227)
Adjustment for Interest Concession - Ocean Choice Seafoods	(4,242)	(4,836)
	203,662	**199,587**

9 Deferred Revenue/Credits		
Government of Canada - Wait Times Reduction Funding	12,804	15,492
- Medical Equipment Funding	3,081	6,265
- Canada Study Grants	201	934
- Early Learning and Child Care	1,673	-
- New Deals for Communities	2,436	-
Motor Vehicle Registry	5,323	5,084
Other	3,377	3,305
	28,895	**31,080**

	2006 ($000)	2005 ($000)
10 Accounts Payable and Accrued Liabilities		
Goods and Services	54,753	48,537
Government of Canada	1,112	5,289
Interest	23,996	21,129
Wages and Benefits	39,855	28,943
Due to Sinking Fund	14,103	6,525
Provision for Losses on Loan Guarantees (Schedule 21)	3,908	3,643
Consolidated Agencies and Crown Corporations	27,281	42,020
Other	39,558	38,499
	204,566	**194,585**
11 Short Term Loans Payable		
Operating Fund		
Treasury Notes	15,000	85,000
PEI Business Development Inc		
Demand Note Payable to PEI Century 2000 Fund	12,551	-
	27,551	**85,000**
12 Obligation Under Capital Leases		
Law Court Buildings	4,507	4,745
Consolidated Agencies and Crown Corporations	660	810
	5,167	**5,555**
13 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	16,369	8,998
Teachers' Superannuation Fund	(5,069)	148,967
Pension Plan for Members of the Legislative Assembly	(7,043)	(6,206)
Other Pension Plans	16,745	15,595
Retirement Benefits	46,326	49,383
Insurance Policies	2,290	1,840
Workers Compensation	18,008	16,910
	87,626	**235,487**

	2006 ($000)	2005 ($000)
14 Loans Payable		
Operating Fund		
Government of Canada, non-interest bearing, maturing March 31, 2016, payable in monthly installments of $316,567.	37,988	37,988
Adjustment for Interest Concession	(7,311)	(8,538)
	30,677	29,450
Teachers' Superannuation Fund, 4.35%, maturing April 15, 2014, with interest payable semi-annually and principal payments of $16,000,000 payable annually.	144,000	-
Municipal Development Loan Board, 5 3/8%, maturing in 2008, payable in annual installments of $23,957 including interest.	65	84
Consolidated Agencies & Crown Corporations		
PEI Business Development Inc		
Bank of Nova Scotia, 6.62%, maturing August 30, 2017, payable in monthly installments of $40,333 plus interest.	10,366	10,850
Bank of Nova Scotia, 5.65%, maturing March 20, 2007, payable in monthly installments of $18,106 including interest.	2,285	2,371
ACOA, non-interest bearing, maturing February 1, 2006, payable in annual installments of $180,000.	-	180
Prince Edward Island Century Fund 2000 Inc, 4% Promissory Note, due December 31, 2008, with interest payable quarterly and principal payments due each November 30 and December 31 of $1,000,000 and $250,000 respectively, and the balance due at maturity	13,750	7,186
Prince Edward Island Century Fund 2000 Inc, 4% Promissory Note, due April 1, 2008, repayable in annual principal instalments of $288,375.	577	865
Prince Edward Island Century Fund 2000 Inc, 4% Promissory Note, due March 1, 2015, with interest to be paid quarterly and principal due at maturity.	6,600	-
PEI Housing Corporation		
Canada Mortgage and Housing Corp - Mortgages Payable	25,509	26,549
- Debentures Payable	3,696	3,798
	237,525	**81,333**

15 Debentures and Sinking Fund

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt	Sinking Fund	Net Funded Debt 2006	Net Funded Debt 2005
Public Issues:							
15-Jan-87	15-Jan-07	9.875%	20	30,186	13,976	16,210	17,464
3-Oct-97	3-Oct-07	6.000%	10	35,000	7,515	27,485	28,682
22-Jun-88	22-Jun-08	11.375%	20	47,980	23,837	24,143	26,386
1-Dec-88	1-Dec-08	10.750%	20	44,687	20,913	23,774	25,757
16-Aug-90	16-Aug-10	11.500%	20	60,000	23,018	36,982	39,309
14-Mar-91	14-Mar-11	11.000%	20	50,000	17,518	32,482	34,281
19-Sep-91	19-Sep-11	11.000%	20	50,000	16,724	33,276	35,041
17-Dec-92	17-Dec-12	9.750%	20	50,000	14,152	35,848	37,423
18-Mar-93	18-Mar-13	9.250%	20	60,000	19,492	40,508	42,700
27-Oct-95	27-Oct-15	8.500%	20	75,000	17,174	57,826	60,097
15-Dec-93	15-Dec-23	8.500%	30	60,000	17,860	42,140	44,235
3-Sep-02	29-Jul-27	6.100%	25	100,000	4,229	95,771	97,285
21-Feb-00	21-Feb-30	6.800%	30	80,000	8,685	71,315	73,042
29-Jan-02	29-Jan-32	6.250%	30	100,000	6,760	93,240	95,122
12-Jun-03	21-Feb-34	5.600%	30	100,000	4,066	95,934	97,388
30-Sep-04	15-Jun-35	5.700%	30	100,000	1,324	98,676	100,000
10-Feb-05	19-May-36	5.300%	31	100,000	-	100,000	100,000
12-Sep-05	19-Nov-37	4.650%	32	100,000	-	100,000	-
				1,242,853	217,243	1,025,610	954,212
Canada Pension Plan Issues							
1985-86	2005-2006	11.230%	20	-	-	-	8,975
1986-87	2006-2007	9.560%	20	13,526	-	13,526	13,526
1987-88	2007-2008	9.950%	20	10,010	-	10,010	10,010
1988-89	2008-2009	10.090%	20	9,703	-	9,703	9,703
1989-90	2009-2010	9.660%	20	10,544	-	10,544	10,544
1990-91	2010-2011	10.770%	20	9,603	-	9,603	9,603
1991-92	2011-2012	9.930%	20	9,794	-	9,794	9,794
1992-93	2012-2013	9.340%	20	6,971	-	6,971	6,971
1998-99	2018-2019	5.930%	20	376	-	376	376
1999-00	2019-2020	6.450%	20	7,332	-	7,332	7,332
2000-01	2020-2021	6.640%	20	9,136	-	9,136	9,136
2001-02	2021-2022	6.563%	20	11,374	-	11,374	11,374
2002-03	2022-2023	6.202%	20	11,360	-	11,360	11,360
2003-04	2023-2024	5.721%	20	11,135	-	11,135	11,135
2004-05	2024-2025	5.659%	20	10,500		10,500	10,500
2005-06	2025-2026	5.225%	20	3,036		3,036	-
2005-06	2035-2036	4.768%	30	5,939	-	5,939	-
				140,339	-	140,339	140,339
				1,383,192	217,243	1,165,949	1,094,551
Special Contribution from Operating Fund				-	48,683	(48,683)	-
Debenture Discount				(8,808)	-	(8,808)	(8,677)
Total Debentures and Sinking Fund				**1,374,384**	**265,926**	**1,108,458**	**1,085,874**

The debentures listed on this schedule have been issued in Canadian dollars.

Canada Pension Plan debentures are callable by the Federal Minister of Finance on six months notice. No calls have occurred to date and none are expected.

16 Tangible Capital Assets

	Land and Improvements ($000)	Buildings and Improvements ($000)	Leasehold Improvements ($000)	Roads and Bridges ($000)	Motor Vehicles ($000)	Equipment ($000)	Other ($000)	Total 2006 ($000)	Total 2005 ($000)
Balance, beginning of year	29,672	483,961	6,416	500,791	44,711	89,079	53,160	1,207,790	1,199,722
Additions	1,501	3,008	-	18,992	2,169	1,975	1,740	29,385	26,082
Disposals/Write Downs	(242)	(89)	-	-	(1,217)	-	-	(1,548)	(18,014)
Balance, end of year	30,931	486,880	6,416	519,783	45,663	91,054	54,900	1,235,627	1,207,790
Accum. Amortization, beginning	593	183,005	1,830	366,257	35,359	56,720	18,753	662,517	621,894
Adjustment (Note 3)	-	-	-	-	-	-	-	-	15,721
Amortization	134	10,766	305	15,587	2,454	6,240	1,293	36,779	37,718
Disposals	-	-	-	-	(1,158)	-	-	(1,158)	(12,816)
Accum. Amortization, end of year	727	193,771	2,135	381,844	36,655	62,960	20,046	698,138	662,517
Net Book Value	**30,204**	**293,109**	**4,281**	**137,939**	**9,008**	**28,094**	**34,854**	**537,489**	**545,273**

This schedule includes the tangible capital assets of the Province's Operating Fund and the tangible capital assets of consolidated agencies.

Amortization is calculated using the straight line and declining balance methods (see Note 2 (d)).

The Province's policy regarding revenues received for tangible capital assets is to reduce the cost of the asset by the amount of the revenue received. The following revenue offsets have been applied to assets:

	2006 ($000)	2005 ($000)
Federal Revenue	9,855	2,360
Donations	2,347	2,729
	12,202	5,089

Historical cost is still being gathered for certain land parcels. Adjustments to costs may be required when more information becomes available.

	2006 ($000)	2005 ($000)
17 Inventories		
Operating Fund		
Department of Education	1,504	1,286
Department of Health	2,963	-
Department of Transportation and Public Works	3,364	2,116
Land (Tax Sales)	-	113
Consolidated Agencies		
PEI Museum and Heritage Foundation	37	44
	7,868	**3,559**
18 Prepaid Expenses		
Operating Fund	1,884	3,966
Consolidated Agencies	180	103
	2,064	**4,069**
19 Trust Fund Reserves		
Operating Fund	1,070,034	844,882
Health Regions	-	299
Eastern School Board	5	5
Western School Board	116	115
P.E.I. Business Development Inc.	1,341	2,526
P.E.I. Housing Corporation	1	1
P.E.I. Museum and Heritage Foundation	679	673
	1,072,176	**848,501**

20 Guaranteed Debt

	Outstanding 31-Mar-06 ($000)	Outstanding 31-Mar-05 ($000)
1 Lines of Credit / Demand Loans	1,335	4,128
2 Debentures / Capital Loans	48,857	51,390
3 Agencies and Crown Corporations	84,313	62,622
4 Student Loans	22,056	19,304
Total Guaranteed Debt	**156,561**	**137,444**

	Maturity Date	Principal Guaranteed ($000)	Outstanding 31-Mar-06 ($000)	Outstanding 31-Mar-05 ($000)
1 Lines of Credit / Demand Loans				
P.E.I. Grain Elevators Corp.	31-Dec-06	3,250	1,335	1,128
Summerside Reg. Dev. Corp.	28-Feb-06	-	-	3,000
PEI Energy Corporation	31-Oct-06	32,771	-	-
		36,021	**1,335**	**4,128**
2 Debentures / Capital Loans				
Capital Area Recreation Inc	31-Dec-08	4,000	3,127	3,371
Ch'town Area Dev. Corp.	15-May-13	11,800	8,738	9,173
Communities 13 Inc.	May-06 to Aug-12	448	373	443
Island Waste Management	31-Dec-27	30,130	28,054	28,773
PEI Energy Corporation	06-Mar-17	9,360	7,424	7,895
Pownal Sports Centre	Mar-09 to Mar-24	1,355	1,141	1,735
		57,093	**48,857**	**51,390**

Both principal and interest are guaranteed for loan guarantees and debenture share issues. During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

	31-Mar-06 ($000)	31-Mar-05 ($000)
3 Agencies and Crown Corporations		
P.E.I. Business Development Inc	9,425	12,022
P.E.I. Lending Agency	50	66
Island Investment Development Inc	74,838	50,534
	84,313	**62,622**

4 Student Loans

Effective August 1, 2001 the Province entered into an agreement with Credit Union Central of PEI for the funding and delivery of the PEI Student Loan Program. All provincial student loans issued under this program are guaranteed by the Province. As at March 31, 2006 student loans outstanding under this program totalled $22.1 million (2005 - $19.3 million).

Prior to August 1, 2001 the Province paid a risk premium, in lieu of providing loan guarantees, to banks who provided student loans. Under certain conditions loan guarantees are provided to these lendors by the Province. These conditions include loans to minors, loans to individuals who became disabled or deceased and loans to individuals with a history of credit abuse. The student loans outstanding, subject to these conditional guarantees, cannot be readily determined at year end.

	31-Mar-06 ($000)	31-Mar-05 ($000)
5 Provision for Losses on Loan Guarantees		
P.E.I. Business Development Inc	1,291	1,397
P.E.I. Lending Agency	50	50
Student Loans	2,567	2,196
	3,908	**3,643**

21 Provision for Doubtful Accounts and Losses

	Provision 31-Mar-05 ($000)	Written Off During Year ($000)	Increase (Decrease) Provided ($000)	Provision 31-Mar-06 ($000)	
Accounts and Taxes Receivable:					
Operating Fund					
Provincial Sales Tax	1,355	(1,128)	1,241	1,468	
Real Property Tax	300	-	100	400	
Transportation & Public Works	895	-	-	895	
Department of Health	1,427		(331)	1,096	
P.E.I. Business Development Inc	31	-	140	171	
	4,008	(1,128)	1,150	4,030	1
Property Holdings:					
P.E.I. Lending Agency	993	(1,392)	1,439	1,040	
	993	(1,392)	1,439	1,040	2
Investments:					
P.E.I. Business Development Inc	524	(274)	250	500	
P.E.I. Lending Agency	-	-	517	517	3
	524	(274)	767	1,017	
Loans Receivable:					
P.E.I. Business Development Inc	3,333	(119)	3,063	6,277	
P.E.I. Lending Agency	12,894	(1,487)	8,993	20,400	
	16,227	(1,606)	12,056	26,677	4
Loan Guarantees:					
Operating Fund	2,196	(307)	678	2,567	
P.E.I. Business Development Inc	1,397	(113)	7	1,291	
P.E.I. Lending Agency	50	-	-	50	
	3,643	(420)	685	3,908	5
Totals	**25,395**	**(4,820)**	**16,097**	**36,672**	

1 - The Provisions for Doubtful Accounts for Accounts Receivable are deducted on Schedule 2.
2 - The Provisions for Losses on Property Holdings are deducted on Schedule 4.
3 - The Provisions for Losses on Investments are deducted on Schedule 5.
4 - The Provisions for Doubtful Accounts for Loans Receivable are deducted on Schedule 8.
5 - The Provisions for Losses on Loan Guarantees are included in Accrued Liabilities on Schedule 10.

22 Schedule of Debentures Issued and Matured

ISSUED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue	Price Received
Provincial Debentures				
12-Sep-05	4.65%	19-Nov-37	100,000	99.26
			100,000	
Canada Pension Plan				
1-Apr-05	5.34%	1-Apr-25	1,346	100.00
1-May-05	5.11%	1-May-25	1,690	100.00
2-Jul-05	4.79%	2-Jul-35	1,394	100.00
1-Aug-05	4.82%	1-Aug-35	792	100.00
3-Sep-05	4.64%	3-Sep-35	734	100.00
1-Oct-05	4.78%	3-Oct-35	652	100.00
1-Nov-05	4.88%	1-Nov-35	420	100.00
2-Dec-05	4.74%	2-Dec-35	237	100.00
2-Jan-06	4.70%	3-Jan-36	457	100.00
3-Mar-06	4.79%	3-Mar-36	1,253	100.00
			8,975	
Total Debentures Issued			**108,975**	

MATURED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue	Amount Matured	Redeemed By Operating Fund
Canada Pension Plan					
1-Apr-85	12.57%	1-Apr-05	1,346	1,346	1,346
1-May-85	12.15%	1-May-05	1,690	1,690	1,690
2-Jul-85	10.86%	2-Jul-05	1,394	1,394	1,394
1-Aug-85	10.99%	1-Aug-05	792	792	792
3-Sep-85	11.29%	3-Sep-05	734	734	734
1-Oct-05	11.12%	1-Oct-05	652	652	652
1-Nov-85	11.22%	1-Nov-05	420	420	420
2-Dec-85	10.80%	2-Dec-05	237	237	237
2-Jan-86	10.58%	2-Jan-06	457	457	457
3-Mar-86	10.72%	3-Mar-06	1,253	1,253	1,253
Total Debentures Matured				**8,975**	**8,975**

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Statement of Operations
for the year ended March 31, 2006

	2006 Unaudited Restated Estimates ($000)	2006 Actual ($000)	2005 Actual ($000)
Revenue			
23 Taxes			
Personal Income Tax	190,528	204,847	178,041
Sales Tax	178,500	179,577	173,375
Real Property Tax	55,900	60,224	57,884
Gasoline Tax	48,621	49,345	42,712
Corporate Income Tax	27,980	38,471	26,727
Health Tax on Tobacco	29,000	28,183	27,359
Health Tax on Liquor	12,475	12,797	12,256
Insurance Premium Tax	8,000	8,102	7,957
Corporation Capital Tax	3,300	2,043	3,184
Real Property Transfer Tax	1,700	2,358	-
Other	930	964	702
	556,934	**586,911**	**530,197**
24 Licenses and Permits			
Motor Vehicle Registry	11,527	12,354	12,052
Registration & Licensing Act	660	713	678
Securities Act	2,300	2,551	2,548
Security Brokers and Salesmen Licenses	870	990	873
Consolidated Agencies and Crown Corporations	-	-	124
Other	2,445	2,777	2,483
	17,802	**19,385**	**18,758**
25 Fees and Services			
Patient Fees	18,830	18,420	17,335
Housing Rental	4,395	4,556	4,597
Land Title and Registry Fees	2,130	2,585	2,618
Fines and Penalties	635	545	485
R.C.M.P. Recoveries	618	432	845
Campground Fees	800	675	711
Third Party Insurance	1,800	1,909	1,974
Probate Court Fees	140	1,138	1,119
Consolidated Agencies and Crown Corporations	7,340	6,713	5,938
Other	9,539	9,169	8,297
	46,227	**46,142**	**43,919**

	2006 Unaudited Restated Estimates ($000)	2006 Actual ($000)	2005 Actual ($000)
26 Sales			
Lottery Revenue	19,700	12,160	16,556
Liquor Control Commission	10,944	12,070	10,928
Consolidated Agencies and Crown Corporations	6,402	5,070	5,247
Other	1,612	1,793	2,072
	38,658	**31,093**	**34,803**
27 Investment Income			
Operating Fund	1,208	3,597	2,822
PEI Lending Agency	9,602	9,472	9,379
Other Consolidated Agencies	3,110	3,324	2,969
	13,920	**16,393**	**15,170**
28 Other Income			
Health Regions	-	-	3,609
School Boards	435	715	617
PEI Business Development Inc	2,619	4,873	4,653
PEI Lending Agency	50	319	327
PEI Museum and Heritage Foundation	53	44	63
Tourism PEI	2,741	2,581	3,124
Other Consolidated Agencies	71	78	188
	5,969	**8,610**	**12,581**
29 Government of Canada			
Equalization	276,563	276,563	280,611
Canada Health Transfer	73,100	85,970	73,152
Canada Social Transfer	40,662	39,391	36,450
Wait Times Reduction Funding	15,014	2,688	2,700
Community and Labour Market Development	5,601	5,227	6,478
Housing Programs	1,530	2,055	2,294
Youth Justice Services	2,121	2,212	2,258
Official Languages in Education	1,844	2,467	2,244
Promotion of Official Languages	1,240	1,319	1,656
Infrastructure Program	6,595	2,981	2,906
Statutory Subsidy	679	679	679
Rehabilitation Programs	1,376	1,376	1,376
Primary Health Care Transition Fund	704	565	2,286
Agricultural Insurance Corporation	11,206	14,050	16,839
Agriculture Policy Framework Agreement	1,897	1,473	1,561
Diagnostic Equipment Funding	2,198	-	-
Island Health Information System Project	2,200	51	-
Joint Emergency Preparedness Program	570	323	159
Legal Aid	363	690	61
Children-In-Care Special Allowance	400	475	411
Other	3,289	3,873	9,391
	449,152	**444,428**	**443,512**

	2006 Unaudited Restated Estimates ($000)	2006 Actual ($000)	2005 Actual ($000)
Expense			
30 Agriculture, Fisheries & Aquaculture			
Department of Agriculture, Fisheries and Aquacult.	18,709	17,670	21,702
PEI Agricultural Insurance Corporation	25,733	28,528	36,240
PEI Agricultural Research Investment Fund	978	147	185
PEI Aquaculture and Fisheries Research Initiative	198	67	236
	45,618	**46,412**	**58,363**
31 Attorney General			
Office of the Attorney General	32,435	32,016	32,241
PEI Human Rights Commission	229	300	324
	32,664	**32,316**	**32,565**
32 Community and Cultural Affairs			
Department of Community & Cultural Affairs	22,313	29,545	20,760
PEI Museum and Heritage Foundation	1,092	1,366	1,357
	23,405	**30,911**	**22,117**
33 Development and Technology			
Department of Development and Technology	5,369	5,999	5,560
Employment Development Agency	3,547	3,373	2,902
PEI Business Development Inc	24,789	26,843	25,232
	33,705	**36,215**	**33,694**
34 Education			
Department of Education	221,854	60,929	68,883
Eastern School District	-	102,166	91,896
French Language School Board	-	7,045	6,504
Western School Board	-	50,415	49,903
PEI Regulatory and Appeals Comm (Grant)	1,200	1,200	1,200
	223,054	**221,755**	**218,386**
35 Environment, Energy & Forestry			
Department of Environment, Energy & Forestry	12,104	12,353	11,735
PEI Energy Corporation (Grant)	346	350	600
	12,450	**12,703**	**12,335**

	2006 Unaudited Restated Estimates ($000)	2006 Actual ($000)	2005 Actual ($000)
36 Health and Social Services			
Department of Health and Social Services	-	-	108,401
PEI Housing Corporation	-	-	533
Provincial Health Service Authority	-	-	135,688
East Prince Health Authority	-	-	37,049
Kings Health Authority	-	-	34,788
Queens Health Region	-	-	97,803
West Prince Health Authority	-	-	24,318
	-	-	438,580
37 Provincial Treasury			
Department of Provincial Treasury	21,237	17,719	17,752
Council of Atlantic Premiers	123	123	123
PEI Lending Agency	1,135	10,421	5,399
General Government	17,512	5,833	4,085
PEI Special Projects Fund	153	201	230
Technology Asset Management	2,722	2,482	2,427
PEI Self Insurance and Risk Management Fund	2,002	2,171	2,042
	44,884	38,950	32,058
38 Public Service Commission			
Public Service Commission	6,181	4,913	4,867
Employee Benefits	27,818	42,533	27,460
	33,999	47,446	32,327
39 Tourism			
Department of Tourism	-	-	129
Tourism PEI	21,305	20,546	20,243
	21,305	20,546	20,372
40 Transportation & Public Works			
Department of Transportation & Public Works	80,420	76,735	84,541
Interministerial Women's Secretariat	304	287	293
	80,724	77,022	84,834
41 Expense by Object			
Administration		19,219	21,273
Amortization of Tangible Capital Assets		36,779	37,718
Debt - Interest Charges		110,170	104,922
Debt - Provisions and Other		18,913	8,466
Materials and Supplies		121,937	103,676
Professional and Contract Services		155,459	154,729
Salaries and Benefits		504,219	506,727
Travel and Training		9,598	9,462
Transfer Payments		192,978	202,753
Total Expense by Object		1,169,272	1,149,726

42 Reconciliation of Annual Consolidated Surplus (Deficit)

	2005-06 Surplus (Deficit) ($000)		Consolidation Adjustments ($000)		2005-06 Consolidated Surplus (Deficit) ($000)	
Operating Fund	(2,188)		(400)	1	(2,588)	
Consolidated Agencies						
Eastern School District	377	2	-		377	
French Language School Board	410	2	-		410	
PEI Agricultural Insurance Corporation	4,643		-		4,643	
PEI Agricultural Research Investment Fund Inc	(53)		-		(53)	
PEI Aquaculture & Fisheries Research Initiative Inc	22		-		22	
PEI Business Development Inc	(9)		-		(9)	
PEI Human Rights Commission	42		-		42	
PEI Lending Agency	(1,436)		-		(1,436)	
PEI Museum & Heritage Foundation	(61)		-		(61)	
PEI Self Insurance & Risk Management	59		-		59	
PEI Special Projects Fund	(175)		-		(175)	
Tourism PEI	(892)		-		(892)	
Western School Board	406	2	-		406	
	3,333		-		3,333	
Adjustment for Tangible Capital Assets (Consolidated Agencies)					(2,613)	3
Gain on Government Business Enterprises (Schedule 6)					2,546	
Consolidated Surplus					678	

1 Department of Agriculture, Fisheries & Aquaculture
Transfer of funds from PEI Agricultural Research Investment Fund included in revenue (400)

2 The three school boards have a fiscal year end of June 30th. For consolidation purposes unaudited statements of revenue and expenses were provided for the twelve month period ended March 31, 2006.

3 PEI Business Development Inc
Adjustment to amortization expense (440)
Adjustment re deferred contributions on property and equipment 287

School Boards
Adjustment to amortization expense (5,323)
Adjustment for acquisition of tangible capital assets included in expenses 3,015

PEI Housing Corporation
Adjustment re change in accounting for contributed surplus (Note 3) (128)

PEI Crown Building Corporation
Adjustment to amortization expense (24)
(2,613)

43 Restatement of 2005- 2006 Budget Estimates

	2005 Unaudited Estimates Book ($000)	Restatement ($000)		2006 Unaudited Restated Estimates ($000)
REVENUE				
Taxes	556,934	-		556,934
Licenses and Permits	17,802	-		17,802
Fees and Services	30,810	15,417	1/2	46,227
Sales	37,844	814	1	38,658
Investment Income	11,501	2,419	1	13,920
Government of Canada	438,187	10,965	1	449,152
Sinking Fund Earnings	12,650	-		12,650
Other Income	-	5,969	1	5,969
Government Business Enterprises	-	(1,089)	3	(1,089)
Total Revenue	**1,105,728**	**34,495**		**1,140,223**
EXPENSE				
Agriculture,Fisheries & Aquaculture	28,384	17,234	1	45,618
Attorney General	32,664	-		32,664
Auditor General	1,357	-		1,357
Community and Cultural Affairs	23,088	317	1	23,405
Development and Technology	29,292	4,413	1	33,705
Education	222,997	57	1	223,054
Environment, Energy & Forestry	12,450	-		12,450
Executive Council	4,160	-		4,160
Health	335,236	8,230	2	343,466
Legislative Assembly	3,615	-		3,615
Provincial Treasury	52,219	(7,335)	1/5	44,884
Public Service Commission	33,999	-		33,999
Social Services and Seniors	108,522	(3,321)	1/4	105,201
Tourism	17,766	3,539	1	21,305
Transportation and Public Works	80,724	-		80,724
Interest Charges on Debt	107,970	5,711	1/	113,681
Workforce Renewal Program	(7,750)	7,750	5	-
Amortization of Capital Assets	38,942	-		38,942
Total Expense	**1,125,635**	**36,595**		**1,162,230**
	(19,907)	**(2,100)**		**(22,007)**
Net Surplus (Deficit) of Crown Entities	(2,100)	2,100	1/2	-
Consolidated Deficit	**(22,007)**			**(22,007)**

1 - Restatement of revenues and expenses to include consolidated agencies (per agency budgets).
2 - Hospital based revenues which were netted to expense in the budget added to revenue and expense.
3 - Estimated Net Deficit of the nine agencies classified as government business enterprises (see Note 1).
4 - Housing Corporation interest expense budget transferred to Interest Charges on Debt.
5 - Estimate of Savings from Workforce Renewal Program transferred to Provincial Treasury.

This schedule outlines the changes in the Province's 2005-2006 Budget to present, for comparative purposes, the inclusion of consolidated agencies on a line by line basis. The information is taken from the Province of PEI Estimates of Revenue and Expenditure for the year 2005.